



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

October 26, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**TAX DEFERRED STATUS FOR EMPLOYEE TERMINATION PAY
(3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the accompanying resolution and ordinances allowing employee termination pay to be contributed on a pre-tax basis to a qualified tax deferred plan(s) on behalf of employees who voluntarily sign an irrevocable agreement providing for such contributions. These contributions will be designated as employer contributions and will be in lieu of payments that would otherwise be made to the affected employees as taxable termination pay.
2. Instruct the County Counsel, in conjunction with the Chief Administrative Officer and Auditor-Controller, to prepare the necessary irrevocable employee agreements relating to pre-tax termination pay contributions.
3. Instruct the County Counsel to prepare the necessary contract amendment with Great-West Retirement Services for plan administration services and the necessary trust agreement with Wells Fargo Bank, N.A. for plan trustee services; and instruct the Chairman to sign such contracts.
4. Instruct the Auditor-Controller to make the necessary payroll system changes.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The 2003-06 Fringe Benefit Memoranda of Understanding with the Coalition of County Unions, AFL-CIO and SEIU, Local 660, AFL-CIO provide for the establishment of a tax deferred plan for employee termination pay by no later than July 1, 2005. "Employee termination pay" for this purpose includes unused accumulated vacation time, sick leave, holiday time, and other accrued time payable to an employee upon separation from County service. The purpose of these recommendations is to implement the agreed upon program by establishing a separate "Termination Pay Plan" for represented employees under authority of Section 401(a) of the Internal Revenue Code and by extending similar changes to non-represented employees through amending the existing Savings Plan established under authority of Section 401(k) of the Internal Revenue Code. We have discussed these recommendations with the Coalition of County Unions and Local 660 and both groups are in full agreement with them.

Under the proposed Termination Pay Plan and amended 401(k) Savings Plan, a participating employee must voluntarily enter into a one-time irrevocable agreement that authorizes the County to contribute (or "pick up" in the language of the Internal Revenue Code) a specified portion of his or her termination pay into a qualified tax deferred plan in lieu of receiving such pay as taxable cash. The agreement must be completed at least 90 days prior to the employee's last day of County service unless the termination is due to death or layoff or other circumstances beyond the control of the employee. Upon termination, the pick up contribution would be deposited on the employee's behalf into either the Termination Pay Plan or the amended Savings Plan, as applicable, in exchange for an offsetting reduction in the taxable termination pay otherwise payable to the employee at that point.

The amount that may be contributed to the proposed plans is currently subject to a \$41,000 annual limit provided for in Section 415(c) of the Internal Revenue Code. This is an indexed limit that will grow in the future in accordance with the cost of living as determined by the Internal Revenue Service. In the case of the 401(k) Savings Plan, any other contributions paid into the plan by or on behalf of the employee in the same calendar year must be applied toward this limit and would, therefore, reduce the amount of termination pay that may be contributed to the plan.

On February 10, 2004, your Board approved a resolution permitting employees to use termination pay on a tax deferred basis to purchase Additional Retirement Credit ("ARC") through the Los Angeles County Employees Retirement Association pursuant to the provisions of Assembly Bill 55 adopted last year by your Board. The resolution shown in Attachment I restates and amends the February 10, 2004 resolution, as appropriate, to

permit the use of termination pay on a tax deferred basis for either the purchase of ARC, or deposit into the proposed Termination Pay Plan or amended 401(k) Savings Plan, or both. Employees will also have the option to receive part or all of their termination pay in the form of taxable cash and will, in fact, be required to receive it in that form to the extent it is not used for ARC or it exceeds the aforementioned Section 415(c) limit.

The ordinances establishing the Termination Pay Plan and amending the 401(k) Savings Plan are shown in Attachment II & III. The 401(k) Savings Plan amendment also includes a minor technical change pertaining to the distribution of small account balances upon an employee's termination from County service. This change would provide the Savings Plan Administrative Committee flexibility regarding the method and manner of conforming with Internal Revenue Service regulations regarding the distributions of small account balances under \$5,000.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The actions recommended in this letter promote workforce excellence by resolving workplace issues while maintaining financial responsibility.

FISCAL IMPACT/FINANCING

There are no County costs directly attributable to the contributions to the Termination Pay Plan or the amended 401(k) Savings Plan as the cost of these contributions would be paid by the participating employees through offsetting reductions in the taxable termination pay otherwise payable to them. Neither would there be County costs associated with the ongoing administration of these plans as all such costs would be borne by the participants through participant fees. There would, however, be initial communications and systems set-up costs payable to Great-West Retirement Services estimated at \$54,000 and \$10,000, respectively.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

County Counsel has reviewed the pertinent Federal law and available Internal Revenue Service guidance with regard to termination pay plans and has determined that the proposed program meets the requirements of the law, but that it would be appropriate to obtain a private letter ruling from the Internal Revenue Service confirming this conclusion. The County Counsel will, therefore, request the private letter ruling and favorable determination letters confirming the "qualified" status of the Termination Pay Plan and the amended 401(k) Savings Plan.

Pending a response from the Internal Revenue Service, each employee wishing to participate in the Termination Pay Plan or the termination pay component of the amended 401(k) Savings Plan will be advised that a final Internal Revenue Service ruling has not been received. In each instance, the employees will be required to sign a release of liability indicating they understand that the Internal Revenue Service has not yet ruled on the County's program and, in the unlikely event an unfavorable ruling is received, the tax deferred status of the termination pay contribution may be disqualified. In that event, the employee may be required to pay taxes on the contribution in question. The release of liability form and irrevocable employee agreement regarding pre-tax termination pay contribution will be substantially similar to the documents shown in Attachments IV and V for the Termination Pay Plan and amended 401 (k) Savings Plan, respectfully.

Great-West Retirement Services and Wells Fargo Bank, N.A. are currently the third-party administrator and trustee, respectively, for the existing deferred compensation plan (i.e. the Horizons Plan) and the 401(k) Savings Plan. We are recommending that these organizations provide the same services for the new Termination Pay Plan and the amended 401(k) Savings Plan and that the current contracts with each be amended accordingly. Great-West Retirement Services has agreed to provide the needed services for a one-time set-up fee of \$9,000 for the Termination Pay Plan and \$1,000 for the 401(k) Savings Plan. They would also prepare and mail an initial written communication piece regarding the program for a one-time fee of \$54,000. These costs would be paid by the County.


In the case of the Termination Pay Plan, Great-West Retirement Services would also charge each participant an administrative fee of \$3.00 per month for each month a participant's assets remain in the plan, plus a one-time \$65.00 fee at the time a participant exits the plan. The \$65.00 exit fee would be waived in any case where the participant remains in the plan for at least 36 months. The agreement with Great-West Retirement Services may be re-opened and the fees may be adjusted by mutual agreement if actual expenses do not support these charges. In the case of the amended 401(k) Savings Plan, Great-West Retirement Services would charge a flat annual administrative fee of \$6,600 to be spread evenly to the approximate 10,000 participants in the plan. There will be no additional fees for the Wells Fargo Bank, N.A. trustee services other than incidental banking fees to be borne by the participants. These fees are estimated at less than \$2,000 per year.

County Counsel will prepare for the Chairman's signature the necessary contract amendments with Great-West Retirement Services and Wells Fargo Bank. The Auditor-Controller, Great-West Retirement Services, Los Angeles County Employees Retirement Association, and departmental personnel will be working together to administer the irrevocable employee agreement for termination pay.

Honorable Board of Supervisors
October 26, 2004
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The accompanying resolution and ordinances have been approved as to form by the County Counsel.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SRH
WGL:DT:df

Attachments (5)

c: Auditor-Controller
County Counsel
Chief Executive Officer, Los Angeles County Employees Retirement Association

RESOLUTION

**RESOLUTION OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF LOS ANGELES
ALLOWING EMPLOYEE TERMINATION PAY TO BE CONTRIBUTED
ON A PRE-TAX BASIS TO QUALIFIED TAX DEFERRED PLANS**

WHEREAS, Section 414(h)(2) of the Internal Revenue Code ("IRC") permits employee contributions to a governmental qualified plan to be "picked up" by the employer -- i.e., although designated under the plan as employee contributions, the contributions are (i) paid by the employer in lieu of the contributions that otherwise would be made by the employee pursuant to a one-time, binding and irrevocable election which precludes the employee from receiving the contributed amounts directly in cash and, (ii) are thus excluded from the gross income of the employee;

WHEREAS, upon termination of employment, County employees may receive cash as leaving vacation or in redemption of unused accumulated vacation, sick leave, annual leave, overtime, holiday time, and other accumulated benefits, as provided under the Los Angeles County Code ("Termination Pay");

WHEREAS, effective February 1, 2004, the Board of Supervisors adopted Sections 31485.7 and 31658 of the Government Code authorizing active members of retirement systems in Los Angeles County subject to the County Employees Retirement Law of 1937 to receive up to five (5) years of service credit for additional retirement credit ("ARC") by making a lump sum payment or by making installment payments over a period of up to ten (10) years, subject to specified statutory conditions, to pay the full cost of ARC to the retirement system; and

WHEREAS, in accordance with IRC Section 414(h)(2), and Section 31581.2 of the Government Code, the Board of Supervisors previously resolved on February 10, 2004, to adopt a program under which the County may "pick up" some or all of a member's Termination Pay and contribute those amounts toward the purchase of ARC under a contract with the Los Angeles County Employees Retirement Association ("LACERA");

WHEREAS, the County agreed with employee representatives that it would adopt a plan to which employees could contribute Termination Pay on a pre-tax basis; and

WHEREAS, the County now wishes to: (1) enhance retirement benefits by (a) amending the County of Los Angeles Savings Plan ("Savings Plan"), and (b) adopting the County of Los Angeles Termination Pay Pick Up Plan ("Termination Pay Plan") for employees not eligible to participate in the Savings Plan, to permit eligible employees to elect to have a specified percentage or dollar amount of Termination Pay picked up and contributed to the applicable Plan; and (2) amend and restate its prior resolution on February 10, 2004 regarding the pick up of Termination Pay to purchase ARC, in order to reflect necessary coordination with the Termination Pay Plan or Savings Plan (as applicable) and as well as uniform administrative rules and terminology for all pick up programs involving Termination Pay;

NOW THEREFORE, BE IT RESOLVED that a retiring or terminating employee is permitted to make an irrevocable election not to receive Termination Pay in cash and in lieu thereof to have the Board of Supervisors pick up and contribute all or a designated portion of the employee's Termination Pay towards ARC, as authorized pursuant to Sections 31485.7 and 31658 of the Government Code, the Termination Pay Plan or the Savings Plan (as applicable), all as provided herein:

(a) The employee must elect, by executing a one-time, binding and irrevocable Payroll Deduction Authorization Agreement for "Pick-Up" and Contribution of Cashed-Out Time Certificates (the "Pick Up Election") to have all or a designated portion of his or her Termination Pay contributed to the Plan as a pick up under IRC Section 414(h)(2). Once executed, the Pick Up Election may not be amended or revoked. An employee who executes a Pick Up Election shall thereafter have no option to receive in cash, or otherwise direct the disposition of, the fixed percentage or dollar amount of Termination Pay that the employee elected to contribute towards ARC, the Termination Pay Plan or the Savings Plan (as applicable); and

(b) After execution of the Pick Up Election toward ARC, LACERA will not accept direct payments from the employee to purchase the ARC covered by the Pick Up Election; provided, however, that the employee may, at the same time he or she executes the Pick Up Election, also execute an agreement to have amounts deducted from salary, picked up and contributed to purchase ARC during employment with the County; and

(c) The amount of Termination Pay picked up for contribution to ARC, the Termination Pay Plan, and/or the Savings Plan, cumulatively may not exceed 100% of Termination Pay. Furthermore, the amount of Termination Pay picked up toward ARC may not exceed the outstanding balance owed under the ARC contract. If the outstanding balance owed on the ARC contract is less than the amount designated in the Pick Up Election, only an amount equal to the outstanding balance owed under the ARC contract will be deducted from Termination Pay, picked up and contributed to LACERA. Additionally, if the outstanding balance under the ARC contract at the time of

termination or retirement exceeds the lesser of 100% of Termination Pay or the dollar amount designated in the Pick Up Election, the employee is solely responsible for paying the additional cost from other sources; and

(d) Except as otherwise provided herein, the Pick Up Election must be executed at least 90 days before the employee's termination from employment. The Pick Up Election generally is effective upon execution; provided, however, that the Pick Up Election does not apply to any Termination Pay that becomes payable if an employee terminates employment or retires less than 90 days after the Pick Up Election is executed, unless the employee terminates employment with the County due to death, disability, layoff or other events that the County determines are beyond the control of the employee; and

(e) Notwithstanding the foregoing, in accordance with the February 10, 2004 Board decision regarding the pick up of ARC, for any employee who retired or terminated prior to June 1, 2004, the Pick Up Election was required to be executed at least 30 days before the employee's retirement or termination from employment (whichever was earlier). This special 30-day period was adopted to accommodate, on a one-time only basis, those employees retiring or terminating on or before March 31, 2004, and to provide a transition period following adoption of Sections 31485.7 and 31658 of the Government Code, effective February 1, 2004; and

(f) If the employee terminates employment or retires later than originally designated, the Pick Up Election will remain effective upon his or her actual termination or retirement; and

(g) If the employee is rehired after termination or retirement, any Termination Pay that has been picked up and contributed toward ARC, the Termination Pay Plan, or the Savings Plan shall not be refunded and any cashed-out accrued benefits attributable thereto shall not be restored; and

(h) Each County employee shall be eligible to make only one election to have Termination Pay picked up within the meaning of Code Section 414(h)(2). Accordingly, if an employee intends to have a portion of his or her Termination Pay picked up and contributed to the Termination Pay Plan or Savings Plan and a portion of his or her Termination Pay picked up and contributed to purchase ARC, the Member must execute a Pick Up Election that reflects how the Termination Pay will be allocated between the Termination Pay Plan/Savings Plan and ARC. Termination Pay will be picked up and contributed: (1) first, to purchase ARC in accordance with the Pick Up Election; and (2) second, to the Termination Pay Plan or Savings Plan, as applicable, in accordance with the Pick Up Election; and

(i) The employee contributions of Termination Pay toward ARC, the Termination Pay Plan, and/or the Savings Plan although designated as employee contributions, will be paid by the County in lieu of contributions by the employee; and

(j) The contribution of Termination Pay must be paid to the applicable plan within a reasonable period after the employee's termination from employment, not to exceed thirty (30) days; and

(k) The Pick Up Election shall be executed by the employee and shall state its effective date. Additionally, it shall provide that the employee authorizes the appropriate deduction from Termination Pay for the purposes of having it picked up by the County and paid directly to LACERA, the Termination Pay Plan, and/or the Savings Plan (as applicable), and that the employee understands and acknowledges the requirements and limitations set forth in this resolution. The Pick Up Election shall be in a form substantially similar to that attached in Appendix A and B to this Resolution; and

BE IT FURTHER RESOLVED that as provided in Section 31581.2 of the Government Code, this resolution shall not create any vested rights in any member under LACERA, nor shall it create any vested rights in any participant in the Savings Plan or the Termination Pay Plan, and the Board of Supervisors may amend or repeal this resolution at any time; and

BE IT FURTHER RESOLVED that, as a condition to entering the Pick Up Election, the County may require an employee to execute a release from liability for any adverse consequences that may result if the Internal Revenue Service or a court determines that a contribution under a Pick Up Election is not a picked up contribution within the meaning of IRC Section 414(h)(2) or that the Termination Pay Plan or Savings Plan (as amended), whichever is applicable, is not qualified under IRC Section 401(a); and

BE IT FURTHER RESOLVED, that this resolution shall take effect immediately upon its passage.

I DO HEREBY CERTIFY that at a regular meeting of the Board of Supervisors of the County of Los Angeles on the ____ day of _____, 2004, the foregoing Resolution was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Board of Supervisors of the County of Los Angeles this ____ day of _____, 2004.

The foregoing resolution was on
the ____ day of _____, 2004
adopted by the Board of Supervisors of the County
of Los Angeles and ex officio the governing body
of all other special assessment and taxing districts,
agencies and authorities for which said Board so acts.

VIOLET VARONA-LUKENS
Executive Officer-Clerk of the
Board of Supervisors of the
County of Los Angeles

By: _____

Deputy

APPROVED AS TO FORM:

OFFICE OF THE COUNTY COUNSEL

By:  _____
HALVOR S. MELOM
Principal Deputy County Counsel

ATTACHMENT IV

ARC/TPP CONTRACT & RELEASE

**PAYROLL DEDUCTION AUTHORIZATION AGREEMENT FOR "PICK-UP" AND
CONTRIBUTION OF CASHED-OUT TIME CERTIFICATES -- KNOWN AS
"TERMINATION PAY"**

By filling out and signing this Payroll Deduction Authorization Agreement ("Agreement"), I, _____, irrevocably agree to have the County of Los Angeles ("County") contribute amounts of "Termination Pay" to one or both of the following plans as elected below: (1) the Los Angeles County Employees' Retirement Association ("LACERA") for the purchase of Additional Retirement Credit ("ARC"), and/or (2) the Termination Pay Pick-Up Plan (collectively called the "Plan(s)"). "Termination Pay" means amounts that would otherwise be received in cash by me upon termination of employment as leaving vacation or in redemption of unused accumulated vacation, sick leave, annual leave, overtime, holiday time, and other accumulated benefits, as provided under the Los Angeles County Code.

Specifically, I irrevocably authorize the County to deduct the following amounts from my Termination Pay and contribute those amounts to the following Plan(s):

Termination Pay Contribution Election.			
Generally, you may elect to contribute either dollar amounts or percentages (in whole numbers) of Termination Pay to either or both of the Plans. If you are making LACERA contributions, you may instead make an election to contribute the amount necessary to complete your ARC contract, and then elect to have a percentage of what is left contributed to the Termination Pay Pick-Up Plan. Total contributions cannot be more than 100% of your Termination Pay or applicable limits under the Internal Revenue Code.			
	\$ Amount	or Percentage	or ARC Contract Balance
LACERA -- To purchase ARC in accordance with an agreement entered with LACERA under Section 31485.7 of the California Government Code	\$ _____	____%	____(check here) remaining balance on ARC contract upon termination from employment
Termination Pay Pick-Up Plan	\$ _____	____%	____% of remaining balance after contribution to LACERA
Cash	REMAINING BALANCE		

If the amount elected above to purchase ARC with LACERA is more than the amount due on the ARC contract, only the amount owed will be deducted from Termination Pay and contributed to LACERA. If the amount owed on the ARC contract is more than the amount elected above for the purchase of ARC (or 100% of Termination Pay, if less), I understand that I will be solely responsible for paying the additional cost of the ARC contract from other sources.

The contributions to the Plan(s) elected above are intended to be "picked up" contributions that are treated as employer contributions not subject to income tax under

Internal Revenue Code ("Code") section 414(h)(2), and thus, the County will designate them as employer contributions for tax purposes.

I understand that I can make only one election to have Termination Pay "picked up" within the meaning of Code section 414(h)(2). **After signing this Agreement, I cannot enter another agreement to have Termination Pay picked up and contributed to the Plan(s) or another retirement plan. Additionally, if I want to purchase ARC by a combination of picked-up salary deductions and picked-up Termination Pay, I understand that I must make a salary deduction pick-up election at the same time that I sign this Agreement.**

Termination Pay will be "picked up" and contributed: (1) first, to LACERA toward the purchase of ARC in accordance with the amount elected above, if any; and (2) second, to the Termination Pay Pick-Up Plan in accordance with the amount elected above, if any. The contribution to the Termination Pay Pick-Up Plan will not be more than the amount of Termination Pay left over after amounts are deducted to make required contributions to LACERA. After the contributions to the Plan(s) are made, I will receive any remaining Termination Pay in cash, subject to applicable taxes and tax withholding.

I represent that this Agreement is executed at least 90 days prior to the date I will end my County employment: _____, 20____. The "pick-up" election is effective immediately. However, this Agreement will not apply to any Termination Pay that becomes payable if I end County employment less than 90 days after signing this Agreement, unless my employment unexpectedly ends due to death, disability, layoff or other involuntary termination that the County determines is beyond my control ("Involuntary Early Severance"). I understand and agree that, if I end my employment less than 90 days after I sign this Agreement for reasons other than an Involuntary Early Severance, this Agreement is void and my Termination Pay will not be "picked up" and contributed to the Plan(s) as elected above, but instead will be paid as cash, subject to applicable taxes and tax withholding.

I understand and agree that this Agreement cannot be revoked or changed after it is signed. I may no longer elect to receive in cash, or otherwise direct the use of, the amount of Termination Pay that I elect to be contributed to the Plan(s) under this Agreement. The Plan(s) will not accept contributions from any source other than Termination Pay to satisfy the contribution elections made in this Agreement. If I would otherwise have the right to change the method of purchasing the ARC covered by this Agreement (for example, the right to change from a lump sum to installment payments), I waive that right.

This Agreement will be effective only if I also execute a Release furnished by the County in connection with this Agreement.

PARTICIPANT Employee ID: _____

Signature: _____ Date: _____

REPRESENTATIVE
(Great-West/LACERA): _____

RELEASE

IN CONNECTION WITH

**PAYROLL DEDUCTION AUTHORIZATION AGREEMENT FOR "PICK-UP" AND
CONTRIBUTION OF "TERMINATION PAY" TO THE LOS ANGELES COUNTY EMPLOYEE
RETIREMENT ASSOCIATION ("LACERA") AND TERMINATION PAY PICK-UP PLAN
("PICK-UP PLAN")**

I understand that, although the contributions authorized by the attached Payroll Deduction Authorization Agreement (the "Agreement"), are intended to qualify as a "picked up" contributions not subject to income tax under Internal Revenue Code ("IRC") Section 414(h)(2), the County has not yet received a ruling from the Internal Revenue Service ("IRS") on this issue. The County intends to seek a private letter ruling from the IRS in the future that the contributions made under the Agreement to the Pick-Up Plan and/or LACERA qualify as "picked-up" contributions under IRC Section 414(h)(2). I understand that, although the IRS has issued favorable private letter rulings to other taxpayers based on similar programs, these rulings are not binding and the IRS may conclude that the contributions authorized by the Agreement do not qualify as "picked-up" contributions.

I also understand that, although the Pick-Up Plan is intended to be qualified under IRC Section 401(a), the IRS has not yet ruled on the Pick-Up Plan's qualified status. The County plans to seek a favorable determination from the IRS on the qualified status of the Pick-Up Plan.

I understand and agree that, if the IRS concludes that any contributions covered by the Agreement are not "picked up" contributions, or that the Termination Pay Pick-Up Plan is not initially qualified under IRC Section 401(a), the contributions under the Agreement: (1) may be subject to income tax as well as interest and penalties thereon; (2) may be subject to excise taxes if I rolled over those contributions to an individual retirement account or annuity; and (3) may need to be refunded to me from the Pick-Up Plan and/or LACERA (or another plan into which I rolled over my contributions). With regard to any Additional Retirement Credit I have purchased, if my contribution needs to be refunded to me, I understand that such refund may result in a recalculation and reduction of my retirement allowance payable from LACERA.

I understand that neither this Release nor the Agreement constitute tax advice and acknowledge that I am on notice that I should consider obtaining my own legal and/or tax advice before executing either the Release or Agreement.

By executing this Release, I acknowledge that I have read and understand the foregoing, and, as a condition of the County entering the Agreement with me, I agree to release the County from liability for any losses, costs, expenses, penalties or payments incurred by me as a result of any of the potential adverse consequences described in this Release or that may otherwise result from a determination by the IRS or a court that the contributions made pursuant to the Agreement are not "picked-up" contributions under IRC Section 414(h)(2), or that the Termination Pay Pick-Up Plan is not initially qualified under IRC Section 401(a).

PARTICIPANT

Signature: _____

Date: _____

ATTACHMENT V

ARC/SAVINGS PLAN CONTRACT AND RELEASE

**PAYROLL DEDUCTION AUTHORIZATION AGREEMENT FOR "PICK-UP" AND
CONTRIBUTION OF CASHED-OUT TIME CERTIFICATES -- KNOWN AS
"TERMINATION PAY"**

By filling out and signing this Payroll Deduction Authorization Agreement ("Agreement"), I, _____, irrevocably agree to have the County of Los Angeles ("County") contribute amounts of "Termination Pay" to one or both of the following plans as elected below: (1) the Los Angeles County Employees' Retirement Association ("LACERA") for the purchase of Additional Retirement Credit ("ARC"), and/or (2) the Savings Plan (collectively called the "Plan(s)"). "Termination Pay" means amounts that would otherwise be received in cash by me upon termination of employment as leaving vacation or in redemption of unused accumulated vacation, sick leave, annual leave, overtime, holiday time, and other accumulated benefits, as provided under the Los Angeles County Code.

Specifically, I irrevocably authorize the County to deduct the following amounts from my Termination Pay and contribute those amounts to the following Plan(s):

Termination Pay Contribution Election.			
Generally, you may elect to contribute either dollar amounts or percentages (in whole numbers) of Termination Pay to either or both of the Plans. If you are making LACERA contributions, you may instead make an election to contribute the amount necessary to complete your ARC contract, and then elect to have a percentage of what is left contributed to the Savings Plan. Total contributions cannot be more than 100% of your Termination Pay or applicable limits under the Internal Revenue Code.			
	\$ Amount	or Percentage	or ARC Contract Balance
LACERA -- To purchase ARC in accordance with an agreement entered with LACERA under Section 31485.7 of the California Government Code	\$ _____	____%	____(check here) remaining balance on ARC contract upon termination from employment
Savings Plan	\$ _____	____%	____% of remaining balance after contribution to LACERA
Cash	REMAINING BALANCE		

If the amount elected above to purchase ARC with LACERA is more than the amount due on the ARC contract, only the amount owed will be deducted from Termination Pay and contributed to LACERA. If the amount owed on the ARC contract is more than the amount elected above for the purchase of ARC (or 100% of Termination Pay, if less), I understand that I will be solely responsible for paying the additional cost of the ARC contract from other sources.

The contributions to the Plan(s) elected above are intended to be "picked up" contributions that are treated as employer contributions not subject to income tax under

Internal Revenue Code ("Code") section 414(h)(2), and thus, the County will designate them as employer contributions for tax purposes.

I understand that I can make only one election to have Termination Pay "picked up" within the meaning of Code section 414(h)(2). **After signing this Agreement, I cannot enter another agreement to have Termination Pay picked up and contributed to the Plan(s) or another retirement plan. Additionally, if I want to purchase ARC by a combination of picked-up salary deductions and picked-up Termination Pay, I understand that I must make a salary deduction pick-up election at the same time that I sign this Agreement.**

Termination Pay will be "picked up" and contributed: (1) first, to LACERA toward the purchase of ARC in accordance with the amount elected above, if any; and (2) second, to the Savings Plan in accordance with the amount elected above, if any. The contribution to the Savings Plan will not be more than the amount of Termination Pay left over after amounts are deducted to make required contributions to LACERA. After the contributions to the Plan(s) are made, I will receive any remaining Termination Pay in cash, subject to applicable taxes and tax withholding.

I represent that this Agreement is executed at least 90 days prior to the date I will end my County employment: _____, 20____. The "pick-up" election is effective immediately. However, this Agreement will not apply to any Termination Pay that becomes payable if I end County employment less than 90 days after signing this Agreement, unless my employment unexpectedly ends due to death, disability, layoff or other involuntary termination that the County determines is beyond my control ("Involuntary Early Severance"). I understand and agree that, if I end my employment less than 90 days after I sign this Agreement for reasons other than an Involuntary Early Severance, this Agreement is void and my Termination Pay will not be "picked up" and contributed to the Plan(s) as elected above, but instead will be paid as cash, subject to applicable taxes and tax withholding.

I understand and agree that this Agreement cannot be revoked or changed after it is signed. I may no longer elect to receive in cash, or otherwise direct the use of, the amount of Termination Pay that I elect to be contributed to the Plan(s) under this Agreement. The Plan(s) will not accept contributions from any source other than Termination Pay to satisfy the contribution elections made in this Agreement. If I would otherwise have the right to change the method of purchasing the ARC covered by this Agreement (for example, the right to change from a lump sum to installment payments), I waive that right.

This Agreement will be effective only if I also execute a Release furnished by the County in connection with this Agreement.

PARTICIPANT Employee ID: _____

Signature: _____ Date: _____

REPRESENTATIVE
(Great-West/LACERA): _____

RELEASE

IN CONNECTION WITH

**PAYROLL DEDUCTION AUTHORIZATION AGREEMENT FOR "PICK-UP" AND
CONTRIBUTION OF "TERMINATION PAY" TO THE LOS ANGELES COUNTY EMPLOYEE
RETIREMENT ASSOCIATION ("LACERA") AND SAVINGS PLAN**

I understand that, although the contributions authorized by the attached Payroll Deduction Authorization Agreement (the "Agreement"), are intended to qualify as a "picked up" contributions not subject to income tax under Internal Revenue Code ("IRC") Section 414(h)(2), the County has not yet received a ruling from the Internal Revenue Service ("IRS") on this issue. The County intends to seek a private letter ruling from the IRS in the future that the contributions made under the Agreement to the Savings Plan and/or LACERA qualify as "picked-up" contributions under IRC Section 414(h)(2). I understand that, although the IRS has issued favorable private letter rulings to other taxpayers based on similar programs, these rulings are not binding and the IRS may conclude that the contributions authorized by the Agreement do not qualify as "picked-up" contributions.

I also understand that, although the Savings Plan is intended to be qualified under IRC Section 401(a), the IRS has not yet ruled on the Savings Plan's qualified status following its amendment to permit picked up contributions. The County plans to seek a favorable determination from the IRS on the qualified status of the Savings Plan.

I understand and agree that, if the IRS concludes that any contributions covered by the Agreement are not "picked up" contributions, or that the Savings Plan is not initially qualified under IRC Section 401(a), the contributions under the Agreement: (1) may be subject to income tax as well as interest and penalties thereon; (2) may be subject to excise taxes if I rolled over those contributions to an individual retirement account or annuity; and (3) may need to be refunded to me from the Savings Plan and/or LACERA (or another plan into which I rolled over my contributions). With regard to any Additional Retirement Credit I have purchased, if my contribution needs to be refunded to me, I understand that such refund may result in a recalculation and reduction of my retirement allowance payable from LACERA.

I understand that neither this Release nor the Agreement constitute tax advice and acknowledge that I am on notice that I should consider obtaining my own legal and/or tax advice before executing either the Release or Agreement.

By executing this Release, I acknowledge that I have read and understand the foregoing, and, as a condition of the County entering the Agreement with me, I agree to release the County from liability for any losses, costs, expenses, penalties or payments incurred by me as a result of any of the potential adverse consequences described in this Release or that may otherwise result from a determination by the IRS or a court that the contributions made pursuant to the Agreement are not "picked-up" contributions under IRC Section 414(h)(2), or that the Savings Plan is not initially qualified under IRC Section 401(a).

PARTICIPANT

Signature: _____

Date: _____